Supreme Court, U.S.
FILED
DEC 2 1988
JOSEPH F. SPANIOL, JR.
CLERK

No. 88-755

In The
Supreme Court of the United States
October Term, 1988

ESTATE OF DEAN M. VANE,

Petitioner,

vs.

THE FAIR, INC., AND VANCE-MATHEWS, INC.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

RESPONDENT, THE FAIR, INC.'S, BRIEF IN OPPOSITION TO CERTIORARI

THOMAS L. HANNA
MEHAFFY, WEBER,
KEITH & GONSOULIN
Post Office Box 16
Beaumont, Texas 77704
(409) 835-5011

Attorneys for Respondent, The Fair, Inc.

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
or call collect (402) 342-2831

COUNTERSTATEMENT OF QUESTION PRESENTED

Whether the Court of Appeals was correct in holding that the District Court did not commit error in finding that the evidence submitted by Petitioner concerning damages—based on profits attributable to an alleged copyright infringement was speculative.[1]

---

[1]Respondent, The Fair, Inc., is responding only to Petitioner's Question No. 1 as Question No. 2 is not germane to this Respondent.

CORPORATE AFFILIATION

Respondent, The Fair, Inc., is a Texas corporation that has no parent corporation, no subsidiaries other than wholly owned subsidiaries, and no affiliate corporations.

TABLE OF CONTENTS

	Page
COUNTERSTATEMENT OF QUESTION PRESENTED	i
CORPORARTE AFFILIATION	ii
TABLE OF CONTENTS	iii
TABLE OF AUTHORITIES	iv
OPINIONS BELOW	1
JURISDICTION	2
STATUTES AND RULES OF PROCEDURE INVOLVED	2
COUNTERSTATEMENT OF THE CASE	3
REASONS FOR DENYING THE WRIT	7
THE DECISION BELOW IS CLEARLY CORRECT	8
THERE IS NO IMPORTANT GROUND FOR GRANTING CERTIORARI	9
THERE IS NO CONFLICT OF DECISIONS	10
CONCLUSION	13

TABLE OF AUTHORITIES

Page

CASES

Callaghan v. Myers, 128 U.S. 617, 9 S.Ct. 177, 32 L.Ed. 547 (1888) 11

Easter Seal Society v. Playboy Enterprises, 815 F.2d 323, REH. DEN. 820 F.2d 1223 (5th Cir. 1987) 6

Equal Employment Opportunity Commission v. Datapoint Corp., 570 F.2d 1264 (5th Cir. 1978) 7

General Talking Pictures Corp. v. Western Electric Co., Inc., et al, 304 U.S. 175, 58 S.Ct. 849, 82 L.Ed. 1273, adhered to 305 U.S. 124, 59 S.Ct. 116, 83 L.Ed. 81, REH DEN. 305 U.S. 675, 59 S.Ct. 355, 83 L.Ed. 437 (1938) 8

Goodman v. Lukens Steel Co., 482 U.S. —, 107 S.Ct. 2617, 96 L.Ed.2d 572 (1987) 9

Pullman-Standard v. Swint, 456 U.S. 273, 102 S.Ct. 1781, 72 L.Ed.2d 66 (1982) 9

Rice v. Sioux City Memorial Hospital Cemetery, Inc., 349 U.S. 70, 75 S.Ct. 614, 99 L.Ed. 897 (1955) ... 9

Russell v. Price, 612 F.2d 1123 (9th Cir. 1979) 11

Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390, 60 S.Ct. 681, 84 L.Ed. 825 (1940) 11

Sid & Marty Kroft Television v. McDonald's Corp., 221 U.S.P.Q. 114 (D.C.C.D. Calif., 1983) 11

Sygma PhotoNews, Inc. v. High Society, 778 F.2d 89 (2nd Cir. 1985) 11, 12

Taylor v. Meirick, 712 F.2d 1112 (7th Cir. 1983) 11, 12

TABLE OF AUTHORITIES—Continued

Page

STATUTES AND RULES

Copyright Act of 1976, 17 U.S.C.S. § 101 *et seq.* 10
17 U.S.C. § 504(b) 2, 11
Fed. R. Civ. P. 52(a) 2, 6, 7, 8, 9, 12
Supreme Court Rule 17 3

No. 88-755

In The

Supreme Court of the United States

October Term, 1988

ESTATE OF DEAN M. VANE,

Petitioner,

vs.

THE FAIR, INC., AND VANCE-MATHEWS, INC.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

RESPONDENT, THE FAIR, INC.'S, BRIEF IN OPPOSITION TO CERTIORARI

OPINIONS BELOW

The opinion of the Fifth Circuit Court of Appeals is reported at 849 F.2d 186 and is attached to Petitioner's Appendix at pages A-1 through A-26. The opinion of the United States District Court for the Eastern District of Texas, Beaumont Division, is reported at 676 F. Supp. 133 and is attached to Petitioner's Appendix at pages A-27 through A-45.

JURISDICTION

The jurisdictional requisites are adequately set forth in the Petition for Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit (the "Petition").

———o———

STATUTES AND RULES OF PROCEDURE INVOLVED

17 U.S.C. § 504(b) provides in pertinent part:

> (b) *Actual damages and profits.* The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

Fed. R. Civ. P. 52(a) provides in pertinent part:

> (a) Effect. In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon, and judgment shall be entered pursuant to Rule 58; . . . Findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses.

Sup. Ct. R. 17 provides in pertinent part:

1. A review on writ of certiorari is not a matter of right, but of judicial discretion, and will be granted only when there are special and important reasons therefor. The following, while neither controlling nor fully measuring the Court's discretion, indicate the character of reasons that will be considered.

   (a) When a federal court of appeals has rendered a decision in conflict with the decision of another federal court of appeals on the same matter; . . . or has so far departed from the accepted and usual course of judicial proceedings; or so far sanctioned such a departure by a lower court, as to call for an exercise of this Court's power of supervision.

   (c) When a state court or federal court of appeals has decided an important question of federal law which has not been, but should be settled by this Court, or has decided a federal question in a way in conflict with applicable decisions of this Court.

———o———

COUNTERSTATEMENT OF THE CASE

Petitioner Estate of Dean M. Vane ("Petitioner" or "Vane") was a commercial photographer who was hired by Respondent, The Fair, Inc., ("Respondent" or "The Fair") to produce slides and photographs for use by The Fair in advertising materials. His employment began around March 1, 1983, and continued through the month of May, 1984. There was no written contract or agree-

ment between Petitioner and The Fair. During that period of time Petitioner at The Fair's direction took over two thousand slides and photographs for which he was paid and all of which he turned over to The Fair for its use. Initially the material was used in printed advertising but at a later date fifty-two of the slides were incorporated into television commercials. These commercials were produced and run intermittently from October 21 through December 9, 1983, and from March 15 through June 29, 1984. The television commercials were produced by Respondent Vance-Mathews, Inc. ("Vance-Mathews") which is an advertising agency located in Beaumont, Texas.

The Fair contended that Petitioner had sold the slides and photographs to The Fair. All of the slides and photographs were kept by The Fair in its advertising department as a part of their stock photograph file. When the decision was made in October, 1983, to develop a new television advertising campaign fifty-two of those slides were chosen, along with other stock phototgraphs and slides not produced by Petitioner, for inclusion in the commercials. Petitioner was not consulted because The Fair perceived, rightly or wrongly, that it owned the photographs and had purchased the right to use them for advertising purposes. None of the slides or photographs delivered to The Fair bore a copyright mark or notice. Petitioner was paid in full on each of the invoices which he submitted to The Fair. However, no payment was or has been made for the television usage of these slides. Petitioner complained of the use of the slides in television advertising in July, 1984, and none of his material was used after that. However, Petitioner did not file for copyright registra-

tion of the slides and photographs until after litigation had begun.

The suit, which was filed under the Copyright Act of 1976, 17 U.S.C.S. § 101 *et seq.*, was tried to the district court without a jury. At trial, Petitioner introduced a videotape containing eleven television commercials which allegedly utilized Petitioner's slides. Analysis of that exhibit showed that in the eleven commercials that photographs taken by Petitioner comprised from zero percent to forty-two percent of the commercial running times. It also showed zero percent usage in two commercials and five commercials in which all of the slides utilized were taken by the Petitioner. Other evidence produced at trial showed that the fifty-two slides were used from periods of time ranging from one day up to one week and eight were used on multiple occasions. The court also heard testimony concerning the actual market value of the slides and photographs with testimony ranging from a low of $12,000.00 up to a high of $60,000.00.

Because Petitioner had not timely filed for copyright registration, the recovery of statutory damages and attorneys' fees was not available to him. He instead sought, in addition to his actual damages, any profits which were attributable to the use of the questioned slides in television advertising. To prove this element of damage Petitioner presented testimony concerning a multiple regression formula developed by a marketing professor from the University of Houston. This testimony was questioned vigorously on cross-examination and by direct testimony of The Fair's chief financial officer.

The Fair raised issues of whether the slides in question were the result of work for hire and whether or not

the Petitioner had waived his copyright rights by failing to include notice on the slides or by failing to object to their publication without such notice. The Fair also contested the issue of damages, both actual and profit-related. After receiving briefs and arguments of counsel, the trial court held that Petitioner was entitled to actual damages and granted $60,000.00 as market value of the slides. He denied recovery for The Fair's alleged profits stating that there was not sufficient proof of profits *attributable* to the use of the infringed material.[2] Therefore, the court made no damage award for profits and ruled that The Fair did not have to prove its cost for apportionment.

Petitioner gave notice of appeal and, subsequent to that, The Fair likewise gave notice of appeal. However, based on the Fifth Circuit's intervening decision in *Easter Seal Society v. Playboy Enterprises,* 815 F.2d 323, REH. DEN. 820 F.2d 1223 (5th Cir. 1987) The Fair dropped its cross-appeal which had questioned the court's ruling on the issue of work for hire. Also, The Fair later abandoned its appeal on the issues of waiver and lack of notice of the copyright because of the "clearly erroneous rule" set out in Rule 52(a), Federal Rules of Civil Procedure.

After briefs were submitted and oral argument heard, the Fifth Circuit dealt with the merits of Petitioner's appeal which were substantially the same questions raised here and affirmed the District Court's judgment. They rejected Vane's argument that he should be granted The Fair's alleged profits from the use of the infringing material and held that the trial court was not in error in find-

---

[2]See Finding of Fact No. 9, page A-37, Petition.

ing the Petitioner's attempt to show revenues *attributable to the infringement* was speculative. They also reviewed the record, including the trial transcripts and statement of facts, especially as it concerned the testimony of Petitioner's expert witness, Dr. Herbert Lyon. They stated that the trial testimony showed at least three reasons why the use of an undifferentiated figure in a multiple regression program would not necessarily establish gross profits or income which would be attributable to the use of infringing material. First, was that the cost of a slide used in a commercial is only one of many expenses involved; second, was that the infringed slides appeared during only a part of the time that the commercials were on the air; and, finally, that the model introduced into evidence did not purport to show the relative importance of different elements of the commercials in generating alleged profits. After their review and analysis of the facts before the trial court, based on the principle enunciated in Rule 52(a) F.R.C.P. and the case of *Equal Employment Opportunity Commission v. Datapoint Corp.*, 570 F.2d 1264 (5th Cir. 1978) the Fifth Circuit concluded that the case should be affirmed.

REASONS FOR DENYING THE WRIT

The writ sought by Petitioner should be denied on three specific grounds. First, the Fifth Circuit has correctly decided this case on the merits; second, there is no important ground for granting certiorari; and third, there is no conflict of decisions.

THE DECISION BELOW IS CLEARLY CORRECT

This case is one which deals with a question of factual interpretation. The trial court heard all the evidence and concluded that it would award Petitioner maximum recovery for his actual damages. In fact, the testimony showed that fifty-two slides were used and the maximum value placed on the slides by Petitioner's expert witness was $1000.00 per slide. As a result, the $60,000.00 awarded as actual damages exceeded the Petitioner's highest stated value. However, the Court also evaluated the Petitioner's testimony regarding profits *attributable* to use of the infringed material and ruled that the testimony was speculative and denied recovery on that theory.

The only question presented is one of fact issue review. That is, the question is whether or not the trier of fact, the trial judge in the district court, was clearly erroneous in rejecting the attempted proof of the Petitioner at trial. The Fifth Circuit reviewed these findings of fact and conclusions of law, the statement of facts in the case below and the identical authority presented by Petitioner and held that the case fell within the ambit of Rule 52 of the Federal Rules of Civil Procedure. That ruling is entirely consistent with the ruling of this Court in the case of *General Talking Pictures Corp. v. Western Electric Co., Inc., et al,* 304 U.S. 175, 58 S.Ct. 849, 82 L.Ed. 1273, adhered to 305 U.S. 124, 59 S.Ct. 116, 83 L.Ed. 81, REH DEN. 305 U.S. 675, 59 S.Ct. 355, 83 L.Ed. 437 (1938). The Supreme Court held in that case that whether or not the respondents had acquiesced in a patent infringement and whether or not they were estopped to assert their cause of action were dependent upon the facts in the case. The court held at p. 851 as follows:

> "Granting the writ would not be warranted merely to review the evidence or inferences drawn from it. *Southern Power Co. v. North Carolina Pub. Serv. Co.,* 263 U.S. 508, 44 S.Ct. 164, 68 L.Ed. 413; *United States v. Johnston,* 268 U.S. 220, 227, 45 S.Ct. 496, 69 L.Ed. 925. Moreover, the decision on that point rests on concurrent findings. They are not to be disturbed unless plainly without support. *United States v. Chemical Foundation,* 272 U.S. 1, 14, 47 S.Ct. 1, 6, 71 L.Ed. 131; *United States v. McGowan,* 290 U.S. 592; 54 S.Ct. 95, 78 L.Ed. 522; *Alabama Power Co. v. Ickes,* 302 U.S. 464, 58 S.Ct. 300, 82 L.Ed. 374. There is evidence to support them."

Rule 52(a) of the Federal Rules of Civil Procedure is designed to cover just such a situation. See *Pullman-Standard v. Swint,* 456 U.S. 273, 102 S.Ct. 1781, 72 L.Ed. 2d 66 (1982) at pages 78-79 and *Goodman v. Lukens Steel Co.,* 482 U.S. —, 107 S.Ct. 2617, 96 L.Ed.2d 572 (1987) at page 584. There is nothing to suggest that the trial court's ruling was clearly erroneous and, on such a record, this Court should deny the writ.

———o———

THERE IS NO IMPORTANT GROUND FOR GRANTING CERTIORARI

Supreme Court Rule 17 notes that review by writ of certiorari is not a matter of right, but one of sound, judicial discretion. Therefore, certiorari should be granted only in cases where there are special and important reasons for Supreme Court review. This Court has held in the case of *Rice v. Sioux City Memorial Hospital Cemetery, Inc.,* 349 U.S. 70, 75 S.Ct. 614, 99 L.Ed. 897 (1955) at p. 74 U.S. that "special and important reasons imply a reach to a problem beyond the academic or the episodic."

Further, the Court stated in that opinion that certiorari should not be granted "except in cases involving principles the settlement of which is of importance to the public, as distinguished from that of the parties. . . ." *Ibid*, at p. 79.

The petition filed by Vane presents no important issue of federal law. Trial courts have been reviewing evidence and testimony as triers of fact since the foundation of our judicial system. There is nothing in this decision that attempts to abrogate one word of the Copyright Statute as set out in 17 U.S.C. 101 *et seq.* There is nothing in this ruling which says that a multiple regression program cannot be used in court to prove profits or establish proof in civil rights or voting right cases. The issue was and still is whether or not Petitioner had met its burden of proving to the satisfaction of the trier of fact that the alleged profits were attributable to the use of his slides.

No law is threatened. No class of persons will lose their protection under law. No havoc will be wrecked on the judicial system. There is no important question of federal law which has not been but should be settled by this Court. This is a case where the Court should exercise its discretion by denying the writ.

———o———

THERE IS NO CONFLICT OF DECISIONS

Petitioner nowhere in the Question Presented at p. i of his petition alleges that there exists a conflict between the decision of the Fifth Circuit and another federal court of appeals or this Court. However, in his argument at p. 23 he alleges that the Fifth Circuit's holding conflicts

with holdings in the Second, Seventh and Ninth Circuits, citing *Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983); *Sygma PhotoNews, Inc. v. High Society*, 778 F.2d 89 (2nd Cir. 1985) and *Russell v. Price*, 612 F.2d 1123 (9th Cir. 1979) and also with decisions of this Court, citing the cases of *Callaghan v. Myers*, 128 U.S. 617, 9 S.Ct. 177, 32 L.Ed. 547 (1888) and *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 60 S.Ct. 681, 84 L.Ed. 825 (1940). He attempts to create the perception of a conflict by stating that the Fifth Circuit's finding implies an improper placement of the burden of proof. He says at page 22 of his brief that, "the Fifth Circuit Court of Appeals held that the burden of proof to apportion profits not attributable to the infringement from the profits attributable to the infringements rests with the copyright owner." (Petition, pp. 22-23). One searches in vain for such language in the Court's opinion. What the Fifth Circuit did hold is that there were problems in the Petitioner's proof of profits *attributable* to the use of the infringing material. They held that the question of determination was a fact specific question and that the trial court was not in error in rejecting the Plaintiff's attempted proof. This is not a shift of the burden of proof.

Further, Petitioner states that the Copyright Act, Title 17 U.S.C. § 504(b) states that a copyright owner is required only to present proof of the infringer's gross revenues. That much is true. However, this Rule has long been interpreted to require the plaintiff to present proof of revenues that are attributable to the use of the infringed work. See *Russell v. Price*, supra, at page 1130, quoted below. See also *Sid & Marty Kroft Television v.*

McDonald's Corp., 221 U.S.P.Q. 114 (D.C.C.D. Calif., 1983).

The cases cited by Petitioner are not in conflict with the decision in this case. Neither the Fifth Circuit nor the trial court placed any burden on the Petitioner other than the burden to prove profits which were *attributable* to the use of the infringed material. The only case cited that speaks to Rule 52(a) is the *Sygma Photo* case. There the Second Circuit recognized the stringent requirements of Rule 52(a) of the Federal Rules of Civil Procedure but found the district court's application of the facts "clearly erroneous." In the case of *Taylor v. Meirick, supra,* the court dealt with the question of burden of proof by stating that the plaintiff could have made out a prima facie case for an award of infringer's profits by showing his gross revenues from the sale of the infringing material. The court went on to state that,

> "it was not enough to show Meirick (Defendant's) gross revenues from the sale of everything he sold, which is all, really, that (Plaintiff) did. If General Motors were to steal your copyright and put it in a sales brochure, you could not just put a copy of General Motors corporate income tax return in the records and rest your case for an award of infringer's profits." (p. 1122).

In fact, the most illustrative language concerning the lack of conflict in the cases cited by Petitioner is to be found in *Russell v. Price, supra.* At page 1130 of its opinion, the Ninth Circuits tates as follows:

> "Plaintiff's confusion stems in part from the meaning of the term 'actual profits'. It is clear from a reading of the statute (17 U.S.C. § 101(b)) that the infringer's profits to which the copyright proprietor may be en-

> titled consists of the gross receipts or sales' profits from the infringing use of the plaintiff's work, which is the plaintiff's burden to establish, less any direct costs incurred by the defendant in connection with the unauthorized use, on which the later party bears the burden of proof." (p. 1130-1131).

That is exactly what the trial court and the Fifth Circuit said in this case. That is exactly what the Petitioner failed to establish to the satisfaction of either. There is no misplacement of the burden of proof and there is no conflict. The writ should be denied.

CONCLUSION

For these reasons, the Petition for Writ of Certiorari filed by the Petitioner should be denied.

Respectfully submitted,

THOMAS L. HANNA
MEHAFFY, WEBER,
KEITH & GONSOULIN
Post Office Box 16
Beaumont, Texas 77704
(409) 835-5011

Attorneys for Respondent,
The Fair, Inc.